Prescription Drug Pricing in the United States: Drug Companies Profit at the Expense of Older Americans

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Minority Staff Report
Committee on Government Reform and Oversight
U.S. House of Representatives

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EXECUTIVE SUMMARY

In congressional districts around the country, older Americans are increasingly concerned about the high prices that they pay for prescription drugs. Numerous members of Congress have requested that the minority staff of the Committee on Government Reform and Oversight investigate this issue. This report summarizes investigations of prescription drug pricing conducted by the minority staff in 20 congressional districts.

Numerous studies have concluded that many older Americans pay high prices for prescription drugs and have a difficult time paying for the drugs they need. This study presents new and disturbing evidence about the cause of these high prices. The findings indicate that older Americans and others who pay for their own drugs are charged far more for their prescription drugs than are the drug companies= most favored customers, such as large insurance companies and health maintenance organizations. The findings show that the average senior citizen paying for his or her own prescription drugs must pay twice as much for the drugs as the drug companies= favored customers. The study found that this is an unusually large price differential -- more than four times greater than the average price differential for other consumer goods.

It appears that drug companies are engaged in a form of Adiscriminatory@ pricing that victimizes those who are least able to afford it. Large corporate and institutional customers with market power are able to buy their drugs at discounted prices. Drug companies then raise prices for sales to seniors and others who pay for drugs themselves to compensate for these discounts to the favored customers.

Older Americans are having an increasingly difficult time affording prescription drugs. By one estimate, more than one in eight older Americans has been forced to choose between buying food and buying medicine. Case studies conducted in several states and included in this analysis illustrate these hardships. Legislation that protects older Americans from the pharmaceutical industry=s discriminatory pricing would reduce the cost of prescription drugs for seniors and improve the health and financial well-being of millions of Americans.

A. Methodology

This study investigates the pricing of the five brand name prescription drugs with the highest sales to the elderly. It estimates the differential between the price charged to the drug companies= most favored customers, such as large insurance companies and HMOs, and the price charged to seniors. The results are based on a survey of retail prescription drug prices in chain and independently owned drug stores in 20 congressional districts across the nation. These prices are compared to the prices paid by the drug companies= most favored customers. For comparison purposes, the study also estimates the differential between prices for favored customers and retail prices for other consumer items.

Table 1: Average Retail Prices for the Best-Selling Drugs for Older Americans Are Twice as High as the Prices That Drug Companies Charge Their Most Favored Customers.

Prescription Drug	Manufacturer	Use	Prices for Favored Customers	Retail Prices for Senior Citizens	Price Differential for Senior Citizens
Zocor	Merck	High Cholesterol	$42.95	$104.80	144%
Prilosec	Astra/Merck	Ulcers	$56.38	$111.94	99%
Norvasc	Pfizer Inc.	High Blood Pressure	$58.83	$113.77	93%
Procardia XL	Pfizer Inc.	Heart Problems	$67.35	$126.86	88%
Zoloft	Pfizer, Inc.	Depression	$123.88	$213.72	73%
Average Price Differential					**99%**

B. Findings

The study finds that:

- **Older Americans pay inflated prices for commonly used drugs**. For the five drugs investigated in this study, the average price differential was 99% (Table 1). This means that senior citizens and other individuals who pay for their own drugs pay twice as much for these drugs than do the drug companies= most favored customers.

- **For other popular drugs, the price differential is even higher.** This study also analyzed a number of other popular drugs used by older Americans, and in some cases found even higher price differentials (Table 2). The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens was 1,446%. An equivalent dose of this drug would cost the manufacturers= favored customers only $1.75, but would cost the average senior citizen more than $27.00. For Micronase, a diabetes treatment manufactured by Upjohn, an equivalent dose would cost the favored customers $10.05, while seniors are charged an average of $46.50. The price differential was 363%.

- **Price differentials are far higher for drugs than they are for other goods.** This study compared drug prices at the retail level to the prices that the pharmaceutical industry gives its most favored customers, such as large insurance companies and HMOs. Because these customers typically buy in bulk, some difference between retail prices and Afavored customer@ prices would be expected. The study found, however, that the differential was much higher for prescription drugs than it was for other consumer items. The study compared the price differential for prescription drugs to the price differentials on a selection of other consumer items. The average price differential for the five prescription drugs was 99%, while the price differential for other items was only 22%. Compared to manufacturers of other retail items, pharmaceutical manufacturers appear to be engaging in significant price discrimination against older Americans and other individual consumers.

- **Pharmaceutical manufacturers, not drug stores, appear to be responsible for the discriminatory prices that older Americans pay for prescription drugs.** In order to determine whether drug companies or retail pharmacies were responsible for the high prescription drug prices being paid by older Americans, the study compared average wholesale prices that pharmacies pay for drugs to the prices at which the drugs are sold to consumers. This comparison revealed that pharmacies appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. Retail prices were actually below the published national Average Wholesale Price, and the differential between retail prices and a second indicator of the amount pharmacies pay for prescription drugs, prices from one major wholesaler, is only 22%. This indicates that it is drug company pricing policies that appear to account for the inflated prices charged to older Americans and other customers.

- **Discriminatory prescription drug pricing is a national problem.** This study looked at prescription drug pricing in 20 congressional districts in different parts of the United States. Significant price differentials were found in all congressional districts. The highest average price differential was 123% in California, while the lowest price differential was 85% in Wisconsin. Price differentials for the five drugs were above 100% in six of the 20 districts, and were 90% or higher in 19 of the 20 districts. These results indicate that,

Table 2: Price Differentials for Some Drugs Are Over 1,400%.

Prescription Drug	Manufacturer	Use	Prices for Favored Customers	Retail Prices for Senior Citizens	Price Differential for Senior Citizens
Synthorid	Knoll Pharmaceuticals	Hormone Treatment	$1.75	$27.05	1446%
Micronase	Upjohn	Diabetes	$10.05	$46.50	363%

while there is a small variation in prices in different regions of the country, high

prescription drug costs and large price differentials caused by discriminatory pricing are a nationwide problem.

I. THE VULNERABILITY OF OLDER AMERICANS TO HIGH DRUG PRICES

This report focuses on a continuing, critical issue facing older Americans -- the cost of their prescription drugs. Numerous surveys and studies have concluded that many older Americans pay high costs for prescription drugs and are having a difficult time paying for the drugs they need. The cost of prescription drugs is particularly important for older Americans because they have more medical problems, and take more prescription drugs, than the average American. This situation is exacerbated by the fact that the Medicare program, the main source of health care coverage for the elderly, fails to cover the cost of most prescription drugs.

According to the National Institute on Aging, Aas a group, older people tend to have more long-term illnesses -- such as arthritis, diabetes, high blood pressure, and heart disease -- than do younger people.@[1] Other chronic diseases which disproportionately affect older Americans include depression and neurodegenerative diseases such as Alzheimer=s disease, Lou Gehrig=s disease, and Parkinson=s disease.

According to the American Association of Retired Persons, older Americans spend almost three times as much of their income (21%) on health care as do those under the age of 65 (8%), and more than three-quarters of Americans aged 65 and over are taking prescription drugs.[2]

The average older American takes 2.4 prescription drugs.[3] More importantly, older Americans take significantly more drugs on average than the under-65 population.[4] It is estimated that the elderly in the United States, who make up 12% of the population, use one-third of all prescription drugs.[5]

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[1] National Institute on Aging (NIA), NIA Age Page (www.nih.gov/nia/health/pub/medicine.htm).

[2] AARP Public Policy Institute and the Lewin Group, *Out of Pocket Health Spending By Medicare Beneficiaries Age 65 and Older: 1997 Projections* (February 1997).

[3] AUS/ICR for the American Association of Retired Persons, National Pharmaceutical Council, and Pharmaceutical Executive Magazine, *Survey on Prescription Drug Issues and Usage Among Americans Aged 50 and Older*, I (May 1996).

[4] Senate Special Committee on Aging, *Developments In Aging: 1996*, 1 S. Rep. 36, 105th Cong., 1st Sess. 121 (1997).

[5] Senate Special Committee On Aging, *Developments in Aging: 1993*, 1 S. Rep. 403, 103d Cong., 2d Sess. 35 (1994).

Although the elderly have the greatest need for prescription drugs, they often have the most inadequate insurance coverage for the cost of these drugs. A 1996 AARP survey indicated that 37% of older Americans do not have insurance coverage for prescription drugs.[6] As a result, many older Americans -- a large percentage of whom live on a limited, fixed income -- are forced to pay the full, out-of-pocket expense of prescription drugs.

The primary reason for this burden is that, with the exception of drugs administered during in-patient hospital stays, Medicare generally does not cover prescription drugs. While Medicare managed care plans may offer optional prescription drug coverage, they are available only as an option subject to the discretion and fiscal priorities of the health plans. Moreover, these Medicare managed plans currently serve only a small portion of the Medicare population.

Although Medicare beneficiaries can purchase supplemental AMedigap@ insurance privately, these policies are often prohibitively expensive or inadequate. For example, one of the standardized Medigap policies available provides only a $3,000 drug benefit, while still leaving beneficiaries vulnerable to a high deductible and to paying at least half of their total drug costs.[7]

Medicare beneficiaries without public or private prescription drug coverage are the group most at risk of high out-of-pocket prescription drug costs. According to the Senate Special Committee on Aging, this group includes those Awho are not poor enough to receive Medicaid, do not have employer-based retiree prescription drug coverage, and cannot afford any other private prescription drug insurance plans.@[8]

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[6] AARP Public Policy Institute and the Lewin Group, *supra* note 2.

[7] Families USA Foundation, *Worthless Promises: Drug Companies Keep Boosting Prices*, 6 (March 1995).

[8] Senate Report, *supra* note 4, at 122.

The high costs of prescription drugs, and the lack of insurance coverage, directly affect the health and welfare of older Americans. In 1993, 13% of older Americans surveyed reported that they were forced to choose between buying food and buying medicine.[9] By another estimate, five million older Americans are forced to make this difficult choice.[10]

II. ARE DRUG COMPANIES EXPLOITING THE VULNERABILITY OF OLDER AMERICANS?

The minority staff of the Committee on Government Reform and Oversight has conducted drug pricing investigations in 20 congressional districts at the request of the members that represent these districts. The goal of these investigations was to determine whether pharmaceutical manufacturers are taking advantage of older Americans through price discrimination, and if so, whether this is part of the explanation for the high drug prices being paid by older Americans. This report presents a summary of the findings from these investigations.

[9] Families USA Foundation, *supra* note 7, at 6.

[10] Senate Special Committee on Aging, *A Status Report -- Accessibility and Affordability of Prescription Drugs For Older Americans*, S. Rep. 100, 102d Cong., 2d Sess. 2 (1992).

Industry analysts have recognized that price discrimination occurs in the prescription drug market. According to a recent *Standard & Poor*=s report on the pharmaceutical industry, A[d]rugmakers have historically raised prices to private customers to compensate for the discounts they grant to managed care customers. This practice is known as >cost shifting.=@[11] `Under this practice, Adrugs sold to wholesale distributors and pharmacy chains for the individual physician/patient are marked at the higher end of the scale.@[12]

Although industry analyses acknowledge that price discrimination occurs, they have not estimated its degree or impact. This report is the first national effort to quantify the extent of price discrimination and its impact on senior citizens in the United States.

The study design and methodology used to test whether drug companies are discriminating against older Americans in their pricing are described in part III. The results of the study are described in part IV. These results show that drug manufacturers appear to be engaged in substantial price discrimination against older Americans and other individuals who must pay for their own prescription drugs. The consequences of the manufacturers= pricing policies are discussed in part V.

III. METHODOLOGY

A. Selection of Drugs for this Survey

[11] Herman Saftlas, Standard & Poor=s, *Healthcare: Pharmaceuticals*, Industry Surveys, 19-20 (December 18, 1997).

[12] *Id*. at 19.

This survey is based primarily on a selection of the five patented, nongeneric drugs with the highest annual sales to older Americans in 1997. The list was obtained from the Pennsylvania Pharmaceutical Assistance Contract for the Elderly (PACE). The PACE program is the largest out-patient prescription drug program for older Americans in the United States for which claims data is available and is used in this study, as well as by several other analysts, as a proxy database for prescription drug usage by all older Americans. In 1997, over 250,000 persons were enrolled in the program, which provided over $100 million of assistance in filling over 2.8 million prescriptions.[13]

B. Determination of Average Retail Drug Prices for Older Americans

In order to determine the prices that senior citizens are paying for prescription drugs, the minority staff conducted a survey of pharmacies in 20 congressional districts in fifteen states. The twenty districts where the survey was conducted were the 5th District in Alabama (Rep. Robert E. (Bud) Cramer, Jr), the 1st District in Arkansas (Rep Marion Berry), the 22nd District in California (Rep. Lois Capps), the 29th District in California (Rep. Henry A. Waxman), the 3rd District in Connecticut (Rep. Rosa L. DeLauro), the 5th District in Connecticut (Rep. James H. Maloney), the 3rd District in Iowa (Rep. Leonard L. Boswell), the 1st District in Maine (Rep. Thomas H. Allen), the 6th District in Massachusetts (Rep. John F. Tierney), the 1st District in Michigan (Rep. Bart Stupak), the 26th District in New York (Rep. Maurice Hinchey), the At Large District in North Dakota (Rep. Earl Pomeroy), the 13th District in Ohio (Rep. Sherrod Brown), the 9th District in Tennessee (Rep. Harold E. Ford, Jr.), the 1st District in Texas (Rep. Max Sandlin), the 2nd District in Texas (Rep. Jim Turner), the 24th District in Texas (Rep. Martin Frost), the At Large District in Vermont (Rep. Bernard Sanders), the 5th District in Wisconsin (Rep. Thomas M. Barrett), and the 8th District in Wisconsin (Rep. Jay W. Johnson). The locations of the districts where pharmacies were surveyed for this study are shown in Appendix D.

C. Determination of Prices for Drug Companies= Most Favored Customers

Drug pricing is complicated and drug companies closely guard their pricing strategies. The best publicly available indicator of the prices companies charge their most favored customers, such as large insurance companies and HMOs, is the Federal Supply Schedule (FSS).

The FSS is a price catalog containing goods available for purchase by federal agencies. Drug prices on the FSS are negotiated by the Department of Veterans Affairs. The prices on the FSS closely approximate the prices that the drug companies charge their most favored nonfederal customers. According to the U.S. General Accounting Office (GAO), A[u]nder [General Services Administration] procurement regulations, VA contract officers are required to seek an FSS price

[13] Pharmaceutical Assistance Contract for the Elderly (APACE@), Pennsylvania Department of Aging, *Annual Report to the Pennsylvania General Assembly* (January 1 - December 31, 1997).

that represents the same discount off a drug=s list price that the manufacturer offers its most-favored nonfederal customer under comparable terms and conditions.@[14] Thus, in this study, FSS prices are used to represent the prices drug companies charge their most favored customers.

This update includes FSS prices as of October 8, 1998. These prices represent changes in the FSS prices from the initial staff report. This update also corrects a technical error and includes information on surveys conducted in twelve congressional districts since the publication of the initial report.

D. Determination of Prices Paid by Pharmacies

The survey also looked at two other pricing indicators: (1) the Average Wholesale Price (AWP) and (2) the prices charged pharmacies by a large drug wholesaler. These two prices provide an indicator of the extent of markups that are attributable to the pharmacy (in contrast to those that are due to the drug manufacturer). The AWP is an average of prices charged by the drug wholesalers to retail pharmacies. The AWP prices were obtained from the *1997 Drug Topics Red Book*.[15] As another measure of wholesale prices, the study used the wholesale prices charged pharmacies by McKesson, the world=s largest wholesaler.

E. Determination of Drug Dosages

When comparing prices, the study used the same criteria (dosage, form, and package size) used by the GAO in its 1992 report, *Prescription Drugs: Companies Typically Charge More in the United States Than in Canada*. For drugs that were not included in the GAO report, the study used the dosage, form, and package size common in the years 1994 through 1997, as indicated in the *Drug Topics Red Book*.

F. Comparison of Price Differentials for Other Retail Items

In order to determine whether the differential between FSS prices and retail prices for drugs commonly used by older Americans is unusually large, the study compared the prescription

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[14] U.S. General Accounting Office, *Drug Prices: Effects of Opening Federal Supply Schedule for Pharmaceuticals Are Uncertain* (June 1997) (emphasis added).

[15] Medical Economics Company, Inc., *1997 Drug Topics Red Book*.

drug price differentials to price differentials on other consumer products. To make this comparison, a list of consumer items other than drugs available through the FSS was assembled. FSS prices were then compared with the retail prices at which the items could be bought at a large national chain.[16]

IV. DRUG COMPANIES CHARGE OLDER AMERICANS DISCRIMINATORY PRICES

A. Discrimination in Drug Pricing

For the five patented, nongeneric drugs most commonly used by seniors, the average differential between the price that would be paid by a senior citizen and the price that would be paid by the drug companies' most favored customers was 99% (Table 1). The study thus showed that the average price that older Americans and other individual consumers pay for these drugs is double the price paid by the drug companies' favored customers, such as large insurance companies and HMOs.

For individual drugs, the price differential was even higher. Among the five best selling drugs, the highest price differential was 144% for Zocor, a cholesterol treatment manufactured by Merck. For other popular drugs, the study found even greater price differentials.

The drug with the highest price differential was Synthroid, a commonly used hormone treatment manufactured by Knoll Pharmaceuticals. For this drug, the price differential for senior citizens was 1,446%. An equivalent dose of this drug would cost the most favored customers only $1.75 but would cost the average senior citizen in the United States $27.05. For Micronase, a diabetes treatment manufactured by Upjohn, the price differential was 363% (Figure 1) Every drug looked at in this study had a large price differential. Four of the five best selling drugs (Zocor, Norvasc, Prilosec, and Procardia XL) had price differentials of over 85%.

[16] The items used were binder clips, rubber bands, toilet paper, Rolodex, tape dispensers, wastebaskets, scissors, pencils, paper towels, post-it notes, envelopes, and correction fluid.

B. Comparison With Other Consumer Goods

The study also analyzed whether the large differentials in prescription drug pricing could be attributed to a volume effect. The drug companies' most favored customers, such as large insurance companies and HMOs, typically buy large volumes of drugs. Thus, it could be expected that there would be differences between the prices charged the most favored customers and retail prices. The study found, however, that the differentials in prescription drug prices were much greater than the differentials in prices for other consumer goods. The study found that, in the case of other consumer goods, the average differential between retail prices and the prices charged most favored customers, such as large corporations and institutions, was only 22%. The average price differential in the case of prescription drugs was more than four times larger than the average price differential for other consumer goods (Figure 2). This indicates that a volume effect is unlikely to explain the large differential in prescription drug pricing.

Figure 2: Price Differentials on Drugs Commonly Used by Older Americans Are Far Higher Than Differentials for Other Consumer Goods.

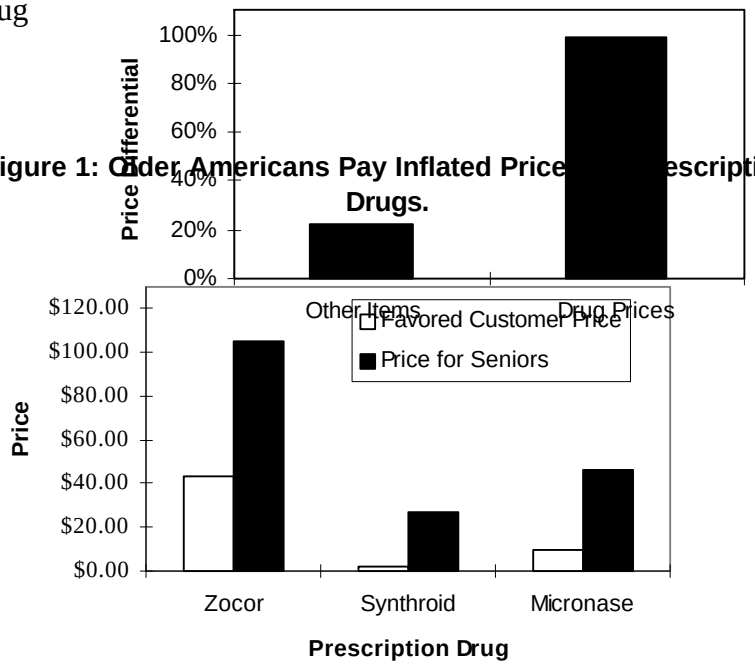

Figure 1: Older Americans Pay Inflated Prices for Prescription Drugs.

C. Drug Company Versus Pharmacy Responsibility

The study also sought to determine whether drug companies or retail pharmacies were responsible for the high prices being paid by older Americans. To do this, the study compared the average wholesale prices that pharmacies pay for drugs to the prices at which the drugs are sold to consumers. This comparison revealed that pharmacies appear to have relatively small markups between the prices at which they buy prescription drugs and the prices at which they sell them. The study found that the average retail price for the five most common drugs was actually lower than the published national Average Wholesale Price, and only 22% higher than the price available directly from one large wholesaler (Figure 3).

This finding indicates that it is drug company pricing policies, not retail markups, that account for the inflated prices charged to older Americans and other individual customers.[17] These findings are consistent with other experts who have concluded that because of the competitive nature of the pharmacy business at the retail level, there is a relatively small profit margin for retail pharmacists.[18]

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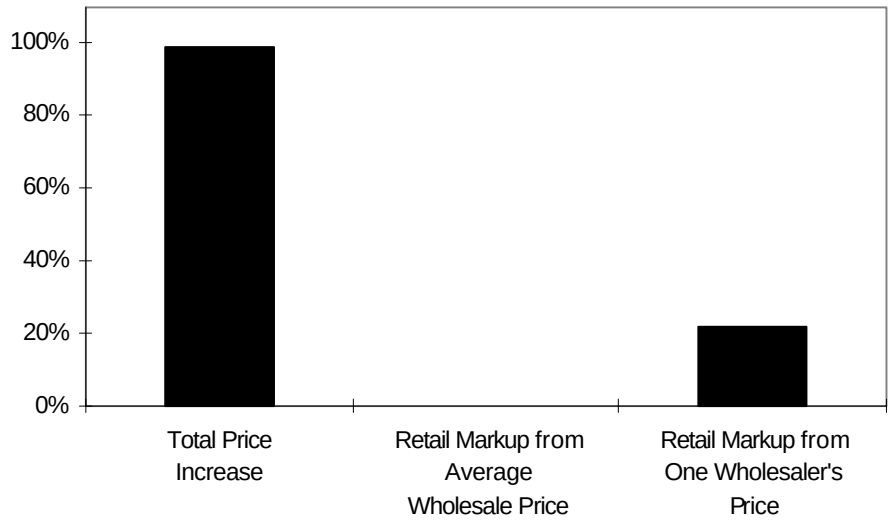
[17] National Association of Chain Drug Stores, *Did You Know . . .* (pamphlet) [citing financial data assembled by Keller Bruner & Company, P.C., Certified Public Accountants (1995)].

[18] In 1993, independent pharmacies sued 19 drug manufacturers, alleging that the differential between the prices charged most favored customers and the prices charged pharmacies violated antitrust laws. In 1996, 11 of these drug manufacturers agreed to settle with the pharmacies. Under this agreement, these pharmaceutical companies promised to offer pharmacies the same price discounts as favored customers like large HMOs if the pharmacies could show the same ability to move market share as the favored customers. On July 13, 1998, four additional drug manufacturers agreed to a settlement under similar terms.

Unfortunately, the results of this study cast doubt on whether these agreements are likely to end the price discrimination practices of the large pharmaceutical companies. All five of the most popular prescription drugs in this survey are covered by the agreement reached in 1996, and there is still large price discrimination for all of these drugs. Synthroid is also covered under the agreement, and this drug has a price differential of more than 1,400%.

The reason for the continued high price differentials may be that, unlike hospitals or HMOs, pharmacies cannot control decisions made by doctors about what drugs to prescribe, and thus are unable to demonstrate to the drug manufacturers that they can influence market share. The doubts raised by this study are consistent with the observations of other industry analysts, who note that Athere is already intense skepticism among retail buying groups for independent drugstores about whether the smaller independents will have the ability to qualify for the potential windfall and pass the savings on to customers.@ *Drug Makers Agree To Offer Discounts For Pharmacies*, Wall Street Journal (July 15, 1998).

Figure 3: Drug Companies, Not Retail Pharmacists, Are Responsible for High Drug Costs Paid by Older Americans.



D. Discriminatory Prescription Drug Pricing Is a National Problem

This study looked at prescription drug pricing in 20 congressional districts in different parts of the United States. Significant price differentials were found in all congressional districts. The highest average price differential was 123% in the 22nd District in California, represented by Rep. Lois Capps. The lowest price differential was 85% in the 8th District in Wisconsin, represented by Rep. Jay Johnson. Price differentials were above 100% in six of the 20 districts: the 22nd District in California, the 29th District in California, the 6th District in Massachusetts, the 9th District in Tennessee, the 1st District in Texas, and the At Large District in Vermont. Price differentials were 90% or higher in 19 of the 20 districts.[19] These results indicate that, while there is a small variation in prices in different regions of the country, high prescription drug costs and large price differentials caused by discriminatory pricing are a nationwide problem.

[19] The price differentials in each of the 20 districts are shown in Appendix A.

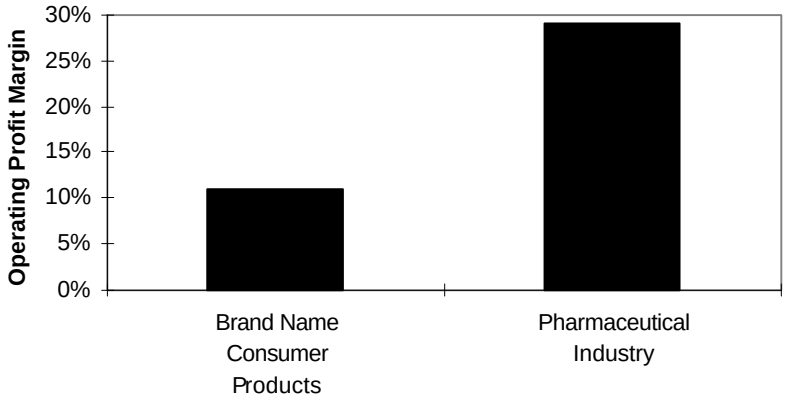
V. THE CONSEQUENCES OF DRUG COMPANIES= DISCRIMINATORY PRICING

There are two conflicting consequences of the current drug industry pricing practices. Although these pricing practices have allowed the drug industry to grow and amass large profits, they have also imposed severe financial hardships on older Americans and others who buy their own drugs.

A. Drug Company Profits

Drug industry pricing strategies have boosted the industry=s profitability to extraordinary levels. The annual profits of the top ten drug companies are nearly $20 billion.[20] Moreover, the

Figure 4: The Pharmaceutical Industry's Profit Margins Are Larger Than Those for Other Industries.



drug companies make unusually high profits compared to other companies. The average manufacturer of branded consumer goods, such as Proctor & Gamble or Colgate-Palmolive, has an operating profit margin of 10.5%. Drug manufacturers, however, have an operating profit margin of 28.7% -- nearly three times greater (Figure 4).[21]

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[20] *See* 1998 Fortune 500 Industry List (www.pathfinder.com/fortune500/indlist.html).

[21] Paul J. Much, Houlihan Lokey Howard & Zukin, *Expert Analysis of Profitability* (February 1988).

These high profits appear to be directly linked to the pricing strategies observed in this study. For instance, Merck, the country=s largest pharmaceutical manufacturer, had an increase in profits of 15% to 18% in the second quarter of 1998. According to industry analysts, Merck=s increased profits were due in large part to sales of Zocor,[22] which is sold at a price differential of 144%. Zocor itself accounts for 6% of Merck=s revenues.[23]

Overall, profits for the major drug manufacturers are expected to grow by about 20% in 1998, compared to 5% to 10% for other companies on the Standard & Poors Index. The drug manufacturers= profits are expected to grow by up to an additional 25% in 1999.[24] According to one analyst, Athe prospects for the pharmaceutical industry are as bright as they=ve ever been.@[25]

B. What High Drug Prices Mean for Older Americans

While drug companies are thriving under their current pricing strategies, older Americans are not. Surveys indicate that high prescription drug prices impose financial hardships on millions of older Americans. To assess the extent of these difficulties, senior citizens were interviewed in the congressional districts investigated in this study. These case studies illustrate the financial hardships faced by seniors.

Geneva and Percy Kief. Geneva Kief and her husband, Percy, live in a complex for the elderly in Old Orchard Beach, in the 1st Congressional District in Maine. Mrs. Kief is 77 years old and has lived in Maine for the past 40 years. Mr. Kief is 76 years old and has lived in Maine all of his life. Their prescription drug expenses are so high that Mr. Kief has been forced into the Medicaid program and Mrs. Kief often cannot afford to take the medications her doctor has prescribed.

The Kief=s only income is from Social Security. After Mr. Kief underwent surgery for a broken hip in September 1997, their monthly bill for prescription drugs rose to $600, half of their combined monthly income. They could no longer afford to pay for Mr. Kief=s prescription drugs, so he was forced to enroll in Medicaid.

Mrs. Kief has not enrolled in Medicaid. Mrs. Kief=s monthly bill for prescription drugs is $230, more than half of her monthly Social Security check of $411. She suffers from high blood pressure, asthma, two broken disks in her back, and edema. Her doctor has prescribed eight prescription drugs for these ailments, but she cannot afford to take all of her medications. Two of

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[22] *Drugmakers Have Healthy Outlook,* USA Today (July 20, 1998).

[23] *Top 200 Drugs of 1997,* IMS America (1998).

[24] USA Today, *supra* note 22.

[25] *Id.*, D1.

her medications, Ventolin and Slobid, make her hands and body tremble. Mrs. Kief said, AIt=s very embarrassing when you have to write or even get out and do things and you=re shaking all over.@ To prevent this, her doctor has prescribed Tranxene. But she cannot afford the full dosage. Mrs. Kief said, AMost of the time, I only take part of my medicine. Sometimes I don=t take them at all because I just can=t afford it.@

Mrs. Kief became so worried about her husband=s health and how she would afford the prescribed drugs that her doctor told her that she should take two antidepressants, Welbutin and Noratriptyline. Ironically, she rarely takes these drugs because she simply cannot afford to pay for the prescriptions.

Frances Staley. Frances Staley, is blind and a resident of Orange, in the 2nd Congressional District in Texas. She has serious problems paying for the prescription drugs that she needs. Ms. Staley takes nine different medications: Miacalcin for osteoporosis, Avapro for blood pressure, Alprazolan for anxiety, Tambocar for heart rate control, Plavix for stroke prevention, Furosemide for fluid retention, Buspar for tension, Propulsid for acid reflux, and Prilosec for stomach acid. Although she has Medicare for most health-related expenses, she has no coverage for the cost of prescription drugs.

Ms. Staley spends an average of $540 per month on the costs of her prescriptions. Because her only source of income, Social Security, provides approximately $650 per month, she is left with only a little over $100 a month for other expenses.

Ms. Staley must constantly worry about being able to even afford food, and at times, she has simply been unable to afford her prescriptions. Like many senior citizens in similar situations, she Anever mentions that too much to anyone.@

James and Pat Alexander. James and Pat Alexander live in Mountain View, in the 1st Congressional District in Arkansas. Both are disabled. Doctors have prescribed seven medications (Procardia, Nitrostat, Nitrobid, Cardene, Proventil, Intaloral, and Albuterol) for Mrs. Alexander, in addition to the Albuterol and oxygen required by Mr. Alexander. Since the Alexanders started having medical problems, they have lost their home and car due to lost wages, health care costs, and the high price of prescription medicine. The Alexanders do not have supplemental health insurance, and despite severe financial difficulties, the couple=s income disqualifies them from receiving prescription drug coverage under Medicaid.

The Alexanders have a total income of $1,317 a month, all from Social Security. They face prescription drug bills of $300 to $400 monthly, up to 30% of their total income.

Unfortunately, they are frequently able to afford only half of these costs, and as a result of the high cost of prescription drugs, they are often forced to skip medications. For example, Mrs. Alexander frequently does not take Nitrostat, prescribed for the chest pains caused by her heart condition. This causes terrible discomfort and fear. AYou just have to suffer the discomfort and

the pain that you have . . . I have to worry about whether or not [skipping the medication] will throw me into a heart attack,@ Mrs. Alexander said.

Marian Miller. Marian Miller lives in senior subsidized housing in Milwaukee, in the 5th Congressional District in Wisconsin. Ms. Miller pays 30% of her income towards her rent. Her monthly income from Social Security and pension is $1,100. Ms. Miller, who suffers from hardening of the arteries, blood clots, high blood pressure, and heart disease, takes eight prescription medications each month. The medications are Procardia, Imdur, Coumadin, Furosemide, Prilosec, two types of Nitroglycerin, and FE-tinic for iron.

None of her medications are covered by health insurance, and Ms. Miller spends over $300 a month for these medications, almost 40% of her remaining income after her rent. Sometimes, Ms. Miller goes without buying her medication so she can pay her bills. Because of the expense, she is often forced to reduce her dosages, putting her health at risk. According to Ms. Miller, AI know that my health problems are not being handled well because sometimes I take medicine every other day instead of every day to make it last longer.@

Wilma Gagnon. Wilma Gagnon is a resident of Alpena, in the 1st congressional district in Michigan. Ms. Gagnon, a 75-year-old widow, suffers from high blood pressure, heart problems, asthma, acid reflux, depression, and anxiety, and takes nine prescription drugs (Lorazepam, Dyazide, Amitryptyline, Procardia, Prilosec, Albuterol, and two different asthma medications).

Her monthly prescription bills are approximately $350, one third of her total monthly income of $1,057. Although Ms. Gagnon says she will not skip any medications because of the health risk, she is sometimes forced to go without food.

She says that because of the high costs of prescription drugs, she feels that she cannot afford nutritious food, which adds to her depression. According to Ms. Gagnon, if drug prices were lower, she would be able to Ago to the grocery store and buy what I need without worrying.@

Berdie Hopewell. Berdie Hopewell is a 67-year-old resident of Elyria, Ohio, in the 13th Congressional District in Ohio. Ms. Hopewell suffers from eye trouble, a scalp condition, high blood pressure, asthma, and pain and swelling of her legs, and takes 13 prescription medications (Proventil, Asthmacort, Neurontin, Furosemide, Clonazepam, Cortisone, Singulair, Volmax, Prilosec, Cardizem, K-Dur, Fluocinonide, and Nizoral) for these conditions.

Ms. Hopewell=s sole source of income is Social Security. Her monthly income is only $800. While Ms. Hopewell does have some insurance coverage, her monthly bills for her prescription drugs are still $325 -- 40% of her monthly income. According to Ms. Hopewell, AAfter I pay my bills, I have $20 to buy groceries for the whole month... I=ve got a light bill, a gas bill, a car payment. By the time I pay everything, I have nothing.@

As a result of these high costs, Ms. Hopewell has trouble affording her medications and has had to reduce her dosage or skip her medications altogether. She also reports that she has been forced to choose between paying for basic items like food and electricity and paying for her prescription medications. She says that Awe go without food and medication to pay bills.@ She concludes, AIt=s a tough struggle.@

Appendix A

Results By Congressional District

Congressional District	Member of Congress	Average Price Differential For Top Five Drugs
Alabama (5th)	Rep. Robert E. (Bud) Cramer, Jr.	90%
Arkansas (1st)	Rep. Marion Berry	97%
California (22nd)	Rep. Lois Capps	123%
California (29nd)	Rep. Henry A. Waxman	120%
Connecticut (3rd)	Rep. Rosa L. DeLauro	93%
Connecticut (5th)	Rep. James H. Maloney	92%
Iowa (3rd)	Rep. Leonard L. Boswell	96%
Maine (1st)	Rep. Thomas H. Allen	96%
Massachusetts (6th)	Rep. John F. Tierney	102%
Michigan (1st)	Rep. Bart Stupak	90%
New York (26th)	Rep. Maurice Hinchey	95%
North Dakota (At Large)	Rep. Earl Pomeroy	99%
Ohio (13th)	Rep. Sherrod Brown	90%
Tennessee (9th)	Rep. Harold E. Ford, Jr.	109%
Texas (1st)	Rep. Max Sandlin	101%
Texas (24th)	Rep. Martin Frost	95%
Texas (2nd)	Rep. Jim Turner	95%
Vermont (At Large)	Rep. Bernard Sanders	109%
Wisconsin (5th)	Rep. Thomas M. Barrett	98%
Wisconsin (8th)	Rep. Jay W. Johnson	85%
Average Price Differential		**99%**

Appendix B

The Five Top Selling Patented, Nongeneric Drugs for Seniors

Ranked by Total Dollar Sales

Rank	Drug	Manufacturer	Indication
1.	Prilosec	Astra/Meck	Ulcer
2.	Norvasc	Pfizer, Inc.	High Blood Pressure
3.	Zocor	Merck	Cholesterol reducer
4.	Zoloft	Pfizer, Inc.	Depression
5.	Procardia XL	Pfizer, Inc.	Heart Problems

Source: Pharmaceutical Assistance Contract for the Elderly (ÀPACE@), Pennsylvania Department of Aging, *Annual Report to the Pennsylvania General Assembly* (January 1 - December 31, 1997).

Appendix C

Price Comparisons for Non-Prescription Drug Items

Item	FSS Price	Retail Price	Differential
Binder Clip, small, 1 box	$0.49	$0.49	0%
Rubber Bands, 1 lb.	$2.57	$2.67	4%
Toilet Paper, 96 Rolls	$44.74	$47.98	7%
Rolodex, 500 cards	$13.24	$14.29	8%
Tape Dispenser	$1.44	$1.69	17%
Wastebasket, Plastic, 13 qt.	$2.95	$3.49	18%
Scissors	$10.88	$12.99	19%
Pencils, #2, 20-pack	$1.03	$1.26	22%
Paper Towels	$22.94	$29.98	31%
Post-It Notes	$2.08	$2.89	39%
Envelopes, 500, White, 20 lb. Weight	$6.45	$9.49	47%
Correction Fluid, 18 ml., dozen.	$6.66	$9.99	50%
Average Price Differential			**22%**